



**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Independent Accountants' Report on Applying Agreed-upon Procedures

Quarters Ended March 31, 2008 and June 30, 2008

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Table of Contents

	Page(s)
Independent Accountants' Report on Applying Agreed-upon Procedures	1 – 3
Schedule of Findings, Quarters ended March 31, 2008 and June 30, 2008	4
Exhibit A – General Account Cash Reconciliation, March 31, 2008	5
Exhibit A – General Account Cash Reconciliation, June 30, 2008	6
Exhibit B – Proof of Cash Reconciliation, Three months ended March 31, 2008	7
Exhibit B – Proof of Cash Reconciliation, Three months ended June 30, 2008	8



KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Accountants' Report on Applying Agreed-upon Procedures

Mr. R. Thomas Wagner Jr.
State Auditor
Office of Auditor of Accounts
State of Delaware:

We have performed the procedures enumerated below, which were agreed to by the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, solely to assist you in evaluating the bank reconciliations of the Office of State Treasurer as of and for the quarters ended March 31, 2008 and June 30, 2008. The Office of State Treasurer's management is responsible for the State's bank reconciliations. The agreed-upon procedures engagement was performed in accordance with *Government Auditing Standards*, issued by the Controller General of the United States, and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

- Compared the list of accounts generated from the Delaware Financial Management System (DFMS) to the bank accounts reconciled by the State Treasurer's Office and the accounts included as part of each quarter's ending cash balance in cash account 1001 on DFMS and found them in agreement.
- Obtained the State Treasurer's Office reconciliation of bank balances to DFMS for each quarter, and performed the following:
 - For the March and June reconciliations, agreed each bank balance to the actual bank statements, and also agreed each book balance to the DFMS summary trial balance report. No exceptions were noted.
 - For the March and June reconciliations, obtained explanations and examined supporting documentation for reconciling items over \$3,418,000, including the subsequent clearing of these reconciling items in following months when applicable. No exceptions were noted.
 - Recalculated the March and June reconciliations for mathematical accuracy. No exceptions were noted.
 - For the March and June reconciliations, compared the types and amounts of reconciling items over \$3,418,000 for nonrecurring items. No items were noted that were both over \$3,418,000 and nonrecurring.
 - Agreed each quarter's ending cash balance to the Financial Report submitted to the Governor by the Secretary of Finance. No exceptions were noted.



- Obtained and reviewed Office of State Treasurer’s bank reconciliation policies and procedures dated February 28, 2000, in order to determine if these policies and procedures were applied when the Office of State Treasurer performed its reconciliations for the months ended March 31, 2008 and June 30, 2008. No deviation from written policy was noted.
- Obtained the Wire Transfer Log for each quarter and performed the following procedures:
 - Selected transfers for amounts in excess of \$3,418,000 for the March and June quarters and agreed the transfer information to the applicable month’s bank statements, ensuring both sides of the transfer actually occurred within one business day. No exceptions were noted.
 - Agreed the transfer activity selected to the appropriate postings in the accounts on the DFMS summary trial balance report. No exceptions were noted.
 - Haphazardly selected the following five transfers per quarter from the zero-balance bank accounts and agreed the net activity to the corresponding clearing in the concentration bank account. In addition, agreed the monthly posting of the zero balance and concentration account activity to the DFMS summary trial balance report. No exceptions were noted.

	Wire date	Amount
Quarter ended March 31, 2008:	January 7, 2008	\$ 6,339,724
	January 29, 2008	9,325,921
	February 19, 2008	13,805,129
	March 10, 2008	4,305,015
	March 20, 2008	10,997,544
	Wire date	Amount
Quarter ended June 30, 2008:	April 4, 2008	\$ 9,121,062
	April 23, 2008	13,136,622
	May 19, 2008	7,219,924
	June 5, 2008	4,179,342
	June 24, 2008	10,462,575

- Obtained the Office of State Treasurer’s General Account Reconciliation for the March and June quarters, summarized each quarter’s reconciliations into the form of Exhibit A attached, and performed the following procedures:
 - Agreed the bank account information to the corresponding bank statements. No exceptions were noted.
 - Agreed the ending book balance to the ending balance as reported in Exhibit B and to the quarter-end reconciliations. No exceptions were noted.
- Obtained the monthly rollforward of cash activity from the Office of State Treasurer, summarized the quarterly activity and obtained the “Proof of Cash Reconciliation” in the form of Exhibit B attached, and performed the following procedure:
 - Agreed the beginning balances to the prior month’s ending balances and agreed the ending balances to the monthly reconciliations. No exceptions were noted.



We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the specified bank reconciliations. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Office of State Treasurer and the Office of Auditor of Accounts, State of Delaware, and is not intended to be, and should not be, used by anyone other than these specified parties. However, under 29 Del.C., Section 10002(d), this report is a public record and its distribution is not limited. This report, as required by statute, was provided to the Governor, Controller General, Attorney General, Office of Management and Budget, and Department of Finance.

KPMG LLP

August 22, 2008

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Schedule of Findings

Quarters ended March 31, 2008 and June 30, 2008

Current-Quarter Findings and Recommendations

No findings or recommendations noted.

Exhibit A**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

General Account Cash Reconciliation

March 31, 2008

Balance per Citizens Bank	\$ 7,981,591
Balance per Mellon Bank	<u>1,477,704</u>
Bank balance at March 31, 2008	<u>9,459,295</u>
Additions:	
Investments managed by Morgan Bank, account number 830752	191,188,357
Investments managed by Wilmington Trust, account number 830754	361,356,570
Investments managed by Wachovia Bank, account number 830751	357,119,155
Receivables from various sources	165,894
Deposits in transit	981,769
Balance at Bank of New York Mellon, account number 353607, 353608 and 830753	229,534,116
Fidelity Government Obligation Bonds 1998A	135,661,193
Balance at Wilmington Trust, DELGIP, account number 830755	131,317,182
Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758	68,490,390
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374	968,826
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 830759	311,921,619
Balance at Bank of America, Labor Lockbox	1,431,452
Balance at PNC Bank, Concentration, account number 56-9401099-3	991,926
Balance at PNC Bank, DMR Special Services, account number 56-94003988	2,170
US Bank - Bonds #107954000	<u>72,545</u>
Subtotal	<u>1,791,203,164</u>
Deductions:	
Outstanding zero-balance accounts (ZBAs) – outstanding checks	81,547,501
Payable for bank errors	32,406
Payable to Mellon 07/98	10,069
Payable to PNC Bank miscellaneous adjustments	<u>44,324</u>
Subtotal	<u>81,634,300</u>
Balance per State Treasurer's books, adjusted, March 31, 2008	<u><u>\$ 1,719,028,159</u></u>

Exhibit A

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

General Account Cash Reconciliation

June 30, 2008

Balance per Citizens Bank	\$ 16,298,405
Balance per Mellon Bank	<u>2,024,940</u>
Bank balance at June 30, 2008	<u>18,323,345</u>
Additions:	
Investments managed by Morgan Bank, account number 830752	193,624,376
Investments managed by Wilmington Trust, account number 830754	414,574,103
Investments managed by Wachovia Bank, account number 830751	361,208,534
Receivables from various sources	183,749
Deposits in transit	111,685
Balance at Bank of New York Mellon, account number 353607, 353608 and 830753	229,425,771
Fidelity Government Obligation Bonds 1998A	70,708,274
Balance at Wilmington Trust, DELGIP, account number 830755	258,021,532
Wilmington Trust Land and Water Conservation Trust Fund #1 account number 830758	68,889,115
Balance at Bank of America, Division of Corp. State Lockbox, account number 2001800374	1,182,517
Balance at Wilmington Trust, Morgan Grenfield Intermediate, account number 830759	313,706,247
Balance at Bank of America, Labor Lockbox	37,078
Balance at Bank of America, Credit Cards, account number 00446706-4630	13,341
Balance at PNC Bank, Concentration, account number 56-9401099-3	2,046,851
Balance at PNC Bank, DMR Special Services, account number 56-94003988	4,422
US Bank - Bonds #107954000	<u>73,524</u>
Subtotal	<u>1,913,811,119</u>
Deductions:	
Outstanding ZBAs – outstanding checks	109,086,324
Payable for bank errors	31,936
Payable to Mellon 07/98	10,069
Payable to PNC Bank miscellaneous adjustments	<u>44,324</u>
Subtotal	<u>109,172,653</u>
Balance per State Treasurer's books, adjusted, June 30, 2008	<u><u>\$ 1,822,961,811</u></u>

Exhibit B**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS****Proof of Cash Reconciliation****Three months ended March 31, 2008**

Balance per State Treasurer's books, January 1, 2008	\$ 1,623,233,774
Additions:	
Deposits to cash receipts journal	1,905,563,765
Receivables for bank errors	5,509
Receivables for CM Forgery Credits	9,293
Outstanding cash receipts	55,436,962
Division of Mental Retardation transfer	(236,069)
Outstanding checks – prior months	191,426,317
Subtotal	<u>2,152,205,777</u>
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	848,869
Deposits to cash receipts journal – prior months	61,850,082
Transfer for principal and interest on bonds	73,560,000
Transfer from Mellon Bank for payroll and pension direct deposit	403,235,547
Transfer from Mellon Bank to Mercantile Bank for pensions	41,269,497
Transfer from Mellon Bank for Coventry Healthcare	498,262
Transfer from Mellon Bank for Aetna Healthcare	7,059,615
Transfer from Mellon Bank for National Data Services	15,535
Transfer from Mellon Bank for IFTA	189,989
Transfer from Mellon Bank for Medicaid	3,386,224
Transfer from Mellon Bank for Wolf, Block Schoor & Solis	1,634,715
Transfer from Mellon Bank for ACI PMT	1,431,786
Transfer from Mellon Bank for SSI	294,950
Transfer from PNC Bank for bank fees, State Personnel Office	5,970
Transfer from PNC Bank for bonds	26,152,747
Transfer for federal income tax, FICA, and Medicare	130,621,351
ACH transfers	652,189,425
Bad-check summary	(604,433)
Transfer for cleared ZBAs	453,925,736
Transfer for outstanding ZBAs	198,845,525
Subtotal	<u>2,056,411,392</u>
Balance per State Treasurer's books, adjusted, March 31, 2008	<u><u>\$ 1,719,028,159</u></u>

Exhibit B

**STATE OF DELAWARE
OFFICE OF STATE TREASURER
BANK RECONCILIATIONS**

Proof of Cash Reconciliation

Three months ended June 30, 2008

Balance per State Treasurer's books, April 1, 2008	\$ 1,719,028,159
Additions:	
Deposits to cash receipts journal	2,027,074,783
Receivables for bank errors	5,019
Receivables for CM Forgery Credits	997
Outstanding cash receipts	23,247,265
Division of Mental Retardation transfer	2,251
Outstanding checks – prior months	246,254,006
Subtotal	<u>2,296,584,321</u>
Deductions:	
Deposits to cash receipts journal – credit card payments booked in transit	1,145,612
Deposits to cash receipts journal – prior months	31,475,469
Transfer for principal and interest on bonds	40,090,187
Transfer from Mellon Bank for payroll and pension direct deposit	354,424,502
Transfer from Mellon Bank to Mercantile Bank for pensions	53,755,811
Transfer from Mellon Bank for Coventry Healthcare	506,220
Transfer from Mellon Bank for Aetna Healthcare	6,061,201
Transfer from Mellon Bank for EDS	14,304
Transfer from Mellon Bank for DHSS Child Care	3,456
Transfer from Mellon Bank for Chang Hwg Bank	500
Transfer from Mellon Bank for GAS Security Systems	1,579
Transfer from Mellon Bank for Nextel	4,000
Transfer from Mellon Bank for Lehames Bus Service	162,581
Transfer from Mellon Bank for IFTA	127,226
Transfer from Mellon for Medicaid	3,373,235
Transfer from Mellon for ACI	1,187,102
Transfer from Mellon for SSI	175,500
Transfer from PNC Bank for bank fees, State Personnel Office	4,979
Transfer from PNC Bank for bonds	5,553,688
Transfer for federal income tax, FICA, and Medicare	115,227,106
ACH transfers	686,115,264
Bad Check Summary	(155,938)
Transfer for cleared ZBAs	619,604,255
Transfer for outstanding ZBAs	273,792,830
Subtotal	<u>2,192,650,669</u>
Balance per State Treasurer's books, adjusted June 30, 2008	<u><u>\$ 1,822,961,811</u></u>